

Message Text

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ACTION EUR-12

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AMEMBASSY PRAGUE

AMEMBASSY SOFIA

AMCONSUL KRAKOW

AMCONSUL POZNAN

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TAGS: PINT, PFOR, ETRD, EGEN, PL, XH

SUBJECT: POLISH SEVENTH CONGRESS FOLLOW-UP: PLANNING COMMISSION

DEPUTY CHAIRMAN REFLECTS PRODUCTION CONFIDENCE AND
INFLATION UNEASE

REF: WARSAW 8070 NOTAL, WARSAW 8270

1. DURING A CONVERSATION ON DECEMBER 30,
PLANNING COMMISSION VICE CHAIRMAN JOZEF PAJESTKA
TOLD EMBASSY OFFICERS THAT ECONOMIC GOALS FOR THE NEXT
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FIVE YEARS WERE SET LOWER THAN APPROPRIATE SINCE THE PO-

LITICAL LEADERSHIP PREFERS TO OVERFULFILL DEFENSIBLE LOWER GOALS RATHER THAN BARELY MEET HIGHER GOALS. PAJESTKA GAVE NO EVIDENCE THAT POLAND MIGHT HAVE DIFFICULTY IN FULFILLING THE GOALS MENTIONED DURING THE RECENT PZPR SVENITH CONGRESS. PAJESTKA ALSO SAID THAT THE PROJECTED INCREASE FOR NOMINAL WAGES WAS SET AT 30 PERCENT BECAUSE IT WAS BELIEVED THAT THIS INCREASE WOULD APPEAR REASONABLE TO POLISH WORKERS AND BE TAKEN BY THEM AS EVIDENCE OF THE PROMISED CONTINUATION OF SIXTH CONGRESS POLICIES. THE 16-18 PERCENT INCREASE PLANNED FOR REAL WAGES REFLECTED THE LEVEL WHICH PROGRAMMED INVESTMENT AND CONSUMPTION LEVELS WOULD PERMIT.

2. PAJESTKA REVEALED MUCH LESS CONFIDENCE IN COMMENTING ON POLISH INFLATION. HE SAID THAT THE 12-14 PERCENT INFLATION RATE IMPLIED BY THE DIFFERENCE BETWEEN NOMINAL AND REAL WAGE RATES FOR THE NEXT FIVE YEARS DID NOT INCLUDE PROVISIONS FOR THE IMPACT OF UNFREEZING FOOD PRICES WHICH WAS INDICATED DURING THE SEVENTH CONGRESS AS BEING A PROBABILITY. WITHOUT EXPLAINING FURTHER, PAJESTKA SAID THAT IT WOULD NOT BE NECESSARY TO RAISE POLISH DOMESTIC PRICES TO REFLECT CONTINUED WESTERN INFLATION OR SHARP INTRA-CEMA TRADE PRICE RISES. ASKED WHETHER THE AVERAGE POLE WOULD FOLLOW HIS WESTERN COUNTERPART IN OBJECTING TO EXPORT INCREASES DURING TIMES OF RISING DOMESTICS PRICES, PAJESTKA RESPONDED ONLY THAT SUCH REACTIONS USUALLY OCCUR IN THE WEST WHEN FOOD EXPORTS ARE INVOLVED.

3. WHEN QUESTIONED WHAT POLAND'S RELATIVE ECONOMIC POSITION IN EUROPE IN 1980 IN TERMS OF PER-CAPITA INCOME WOULD BE IF THE NEW FIVE-YEAR PLAN ASSUMPTIONS ARE REACHED, PAJESTKA SAID THAT THERE WOULD NOT BE MUCH CHANGE. FOR EXAMPLE, 30 POINTS SEPARATE POLAND FROM THE GDR; BY 1980, THE DIFFERENCE WOULD BE LESS BUT NOT BY MUCH.

4. COMMENT: PAJESTKA INDICATED HIS CENTRAL PLANNERS ARE READY TO BE MORE OPTIMISTIC ON PRODUCTION ACHIEVEMENTS THAN THE POLITICAL LEADERS, GIVEN REASONABLE INTERNATIONAL ECONOMIC CONDITIONS. IF HE IS TO BE BELIEVED AT ALL, UNDER-FULFILLMENT OF ANY PORTION OF THE PUBLISHED LIMITED OFFICIAL USE

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PLAN WILL BE MORE SERIOUS THAN MIGHT OTHERWISE BE THOUGHT BECAUSE THE CHANCES FOR SUCCESS WERE UNDERSTATED IN THE ORIGINAL INSTANCE. PAJESTKA, WHEN TALKING ABOUT INFLATION, SHOWED THAT HE WAS MORE PESSIMISTIC THAN THE POLITICIANS. HE ADMITTED, HOWEVER, THAT THERE IS A BUILT-IN MARGIN FOR ERROR IN HIS CENTRAL PLANNER'S CALCULATIONS TO ALLOW FOR THE TOTALLY UNEXPECTED. WE HAD HEARD PREVIOUSLY THAT FUTURE POLISH PLANS WOULD HAVE

MUCH GREATER FLEXIBILITY. PAJESTKA, A PZPR CENTRAL COMMITTEE MEMBER, HAS LONG BEEN REGARDED AS ONE OF POLAND'S LEADING LIBERAL ECONOMISTS. THE SETTING FOR THE ABOVE CONVERSATION DID NOT PERMIT FULLER EXPLORATION OF SOME OF HIS CLAIMS. WE WILL SEEK TO CLARIFY HIS COMMENTS WITH HIM AND OTHER POLISH OFFICIALS IN THE NEAR FUTURE.

DAVIES

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